

MMA Comments on HB 5145 (Markkanen) to the House Energy Committee Distributed Generation and Cost of Service Rates

Thank you for the opportunity to share our views on HB 5145 (Markkanen), regarding distributed generation and cost of service rates.

MMA represents the largest sector of the Michigan economy by gross state product at 19% and represents 29% of electricity sales in Michigan. With such energy demand, and the cost of energy a critical factor in the competitiveness of Michigan's manufacturing sector, our members have had a long-standing interest in reliability in the transmission and distribution system, and ensuring a cost of service energy policy in Michigan. We believe net metering and distributed generation ought to abide by a cost of service policy to avoid shifting costs to other electric energy ratepayers and protect reliability in the electric system. We are concerned HB 5145, as introduced, would remove those protections, and undermine the cost of service policy.

Since the inception of the net metering pilot program in 2008, we have taken the position that net metering and by extension distributed generation ought to meet cost of service rates. Efforts to sell energy back to the grid, ought to reflect the cost of the use of the transmission and distribution systems and reflect the wholesale rate as opposed to retail rate. Moreover, the amount of generation supplied to the grid, other than electric utilities or alternative electric suppliers could challenge reliability of the distribution or transmission systems.

We are concerned this bill removes the cap on the distributed generation program, delegating the policy decision to the commission. We are also concerned the bill strikes the cost of service limitation, opening the possibility of cost shifts to other ratepayers.

As manufacturers restart operations and face new cashflow challenges, and new costs associated with personal protection equipment and best safety practices, we encourage policymakers to avoid adding potentially new costs on the largest sector of the economy.

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